



Paper Excellence Canada Investments Corporation 2024 Report

**To the Canadian Minister of Public Safety and Emergency Preparedness
Fighting Against Forced Labour and Child Labour in Supply Chains Act**

May 31, 2025

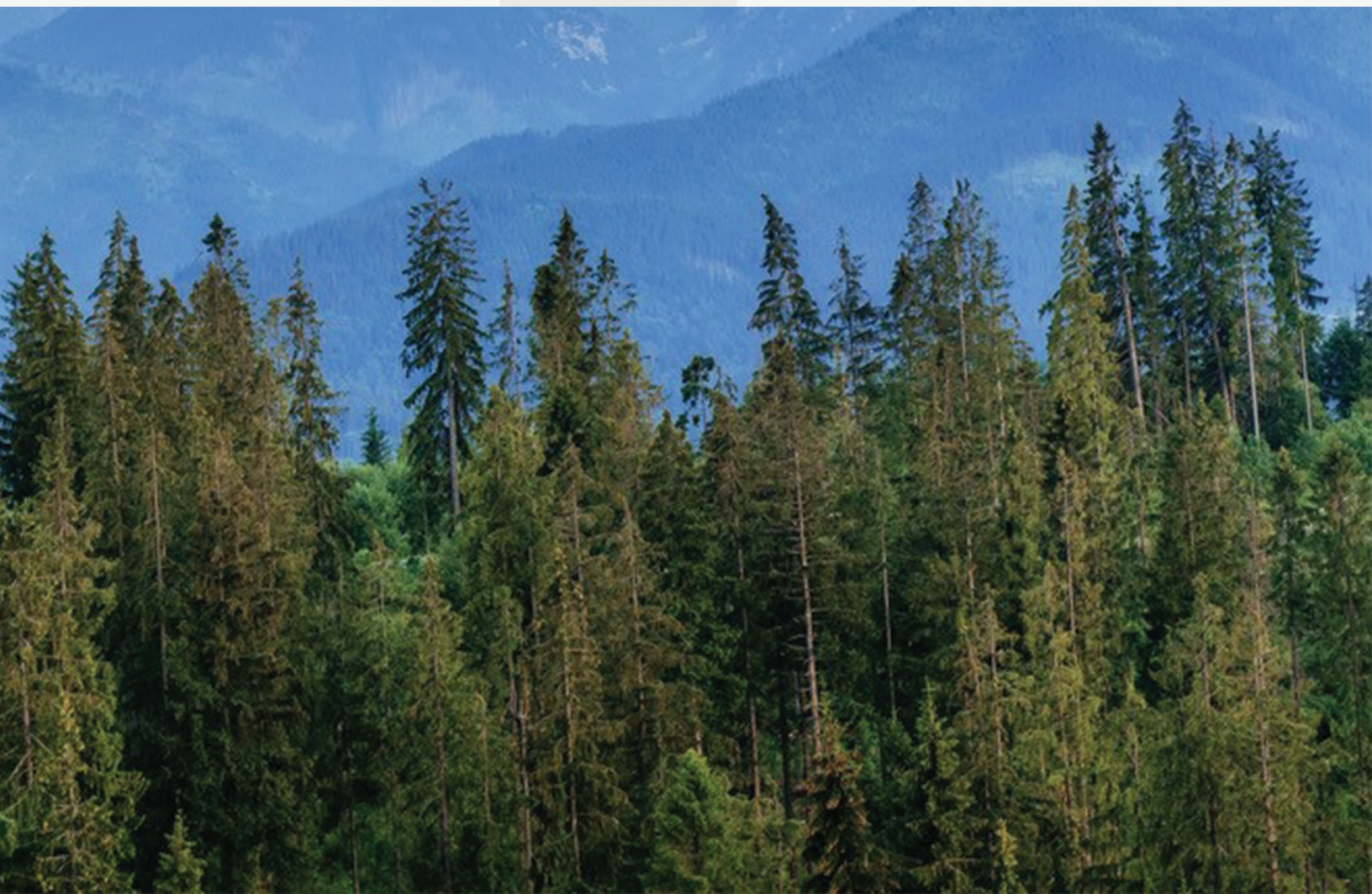


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About Paper Excellence Canada Investments Corporation (PECIC)

Paper Excellence Canada Investments Corporation (PECIC) designs, manufactures, markets and distributes market pulp, which was sold to 19 countries in 2024. It owns and operates pulp manufacturing facilities, log handling facilities and power generation assets in Canada.

Reporting entity's legal name	Paper Excellence Canada Investments Corporation ("Paper Excellence" or "PECIC")
Financial reporting year	January 1, 2024, to December 31, 2024
Identification of a revised report	None
Identification of a joint report	This report jointly covers PECIC's primary operating subsidiaries in Canada: Howe Sound Pulp and Paper Corporation, Meadow Lake Mechanical Pulp Inc. and Bayview Fibre Corporation (collectively with PECIC referred to as "Paper Excellence").
Entity categorization according to the Act	Has a place of business in Canada, does business in Canada or has assets in Canada and, on the basis of its consolidated financial statements, meets at least two of the following conditions for at least one of its two most recent financial years: <ul style="list-style-type: none">a) It has at least \$20 million in assets;b) It has generated at least \$40 million in revenue;c) It employs an average of at least 250 employees.
Sector/Industry	Pulp and wood fibre handling in Canada
Location	Paper Excellence Canada Investments Corporation is incorporated in Canada, has a corporate office in Richmond, British Columbia, and together with its primary operating subsidiaries owns and operates two manufacturing facilities in Canada and two fibre sort and chipping facilities in Canada.

Paper Excellence's commitment to reduce the risk of forced labour and child labour

Paper Excellence is committed to upholding human rights in all its global activities. The company strives to prevent or to mitigate any adverse human rights impacts resulting from its activities and, on becoming aware of any such impacts, takes prompt action. The company's

employees are required to adhere to its policies and to comply with all applicable laws and regulations concerning human rights in the jurisdictions where it operates. The company's [Code of Ethics and Business Conduct](#) provides the framework and expectations for the conduct of its business, outlining its commitment to human rights and ethical behaviour. Additionally, the company aligns its principles with international standards, including the United Nations Global Compact, the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

Paper Excellence recognizes the critical role of sound supply- and value-chain management in upholding its commitments to human rights. It is committed to ensuring its value chain is free of practices that violate individual freedom and dignity. The company strictly prohibits child and forced labour under any circumstances, nor does it tolerate such practices by its contractors and suppliers. It also rejects any form of physical abuse as disciplinary action. Furthermore, it is strongly opposed to, and does not permit, human trafficking in its labour force or that of its contractors and suppliers.

With the enactment of *Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") in 2023, Paper Excellence has taken additional steps to assess any risks related to forced or child labour, as well as to strengthen its procurement practices, policies, contract language and oversight.

This report describes the work Paper Excellence has undertaken to:

1. establish a task force with representatives from its legal, logistics, procurement and sustainability functions to oversee compliance with the Act;
2. conduct an assessment of its supply chain to identify risks related to slavery, child and forced labour, and human trafficking;
3. establish a strategic framework for extending risk assessments to its entire value chain;
4. enhance procurement practices;
5. revise and update procurement policies;
6. improve the language related to procurement in contractual agreements; and
7. provide training to responsible personnel in its procurement function in relation to the Act and warning signs to look for in the forest products sector.

PECIC's structure, activities, governance and supply chains

PECIC is a Canadian corporation with a corporate office in Richmond, British Columbia, Canada. Through its subsidiaries, PECIC operates two pulp facilities and two fibre sort and chipping facilities in Canada.

The following is a list of PECIC's subsidiaries:

1. Meadow Lake Mechanical Pulp Inc.
2. Howe Sound Pulp & Paper Corporation
3. Bayview Fibre Corporation
4. 0909959 B.C. Ltd.
5. 0890635 B.C. Ltd.
6. Seaside Fibre Ltd.
7. Coastal Fibre General Partner Ltd.

8. Coastal Fibre Limited Partnership

Pulp: Paper Excellence has two pulp mills and two fibre management facilities, with an annual production capacity of 785,000 tonnes of pulp. The company has approximately 630 full-time employees in Canada.

Fibre: Paper Excellence's sources of wood include local producers, sawmills that supply residual wood chips and government-owned land. It uses both hardwood and softwood, including a significant amount of residual chips from sawmills.

Chemicals: Paper Excellence purchases various chemical compounds for its manufacturing operations under contracts with terms of one to five years to ensure product availability. For pulp manufacturing, it uses chemicals such as caustic soda, sodium chlorate, sulphuric acid, hydrogen peroxide and lime. Many of these products are purchased globally and involve international supply chains.

Energy: Paper Excellence's operations produce and consume substantial amounts of energy, mainly from biomass, natural gas and electricity. Most of its energy comes from renewable sources, such as bark and by-products from its manufacturing process, such as spent pulping liquor. The rest comes from electricity, natural gas and other fossil fuels. The cogenerating assets at its Howe Sound mill produce green energy, primarily from renewable biomass, and provide most of the electricity needed for its manufacturing operations.

Policies and due diligence processes

Paper Excellence maintains policies on ethics, business conduct and fundamental human rights. As part of its compliance program, regular training is also provided to employees on the company's Code of Ethics and Business Conduct. The compliance program guides their actions and helps ensure that Paper Excellence remains in compliance with applicable laws and regulations in Canada and in the countries where it operates.

Paper Excellence's relationship with its suppliers is based on fair and legal practices. It expects its suppliers to obey the laws on fair treatment of workers, to provide safe and healthy work environments and to act in an environmentally responsible manner. Paper Excellence is committed to ensuring that its supply chain reflects its values and respects human rights. It expects its suppliers to act responsibly, as outlined in its Code of Ethics and Business Conduct.

2024 supply-chain risk assessment of slavery, child and forced labour, and exposure to human trafficking

In 2024, Paper Excellence undertook a supply-chain risk assessment focusing primarily on its global chemical and industrial fabric suppliers. Energy and fibre were excluded from this initial assessment because they are locally sourced from low-risk regions in Canada and the United States. Additionally, 100% of Paper Excellence's fibre supply is sourced in accordance with the following third-party certification requirements: the Sustainable Forestry Initiative's fibre-sourcing requirements; the Programme for the Endorsement of Forest Certification's chain-of-custody due diligence requirements; or the Forest Stewardship Council's Controlled Wood Standard; and in some cases a combination of all three standards. All the standards require rigorous due diligence, including strict labour practices.

Furthermore, all Paper Excellence mills and wood conversion facilities have fibre-tracking systems and are third-party certified according to one or more of the following internationally recognized chain-of-custody standards:

- Sustainable Forestry Initiative® (SFI®)
- Programme for the Endorsement of Forest Certification (PEFC)
- Forest Stewardship Council® (FSC®)

For the risk assessment, Paper Excellence began by gathering data on over 300 of its suppliers from its SAP system. The company then vetted the suppliers using a third-party supply-chain visibility platform called Descartes, which provided more details about each supplier's reputation and any concerns, especially those linked to high-risk countries. It identified one industrial fabric supplier with global business involvement that warranted further due diligence inquiries. The supplier was sent an online questionnaire about its compliance with *Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act*. The questions covered child labour, forced labour and human trafficking, and its policies and practices on these issues. The supplier completed the questionnaire and provided supporting documents, including their codes of business conduct. Paper Excellence's assessment found no issues or red flags.

In addition to the due diligence that was carried out, Paper Excellence is working on an updated procurement policy that will require new suppliers to comply with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* under their contracts and purchase-order terms and conditions. The Descartes platform will continue to be used to screen potential suppliers for compliance, to assess their risk status through a survey and to have them sign an affidavit confirming they do not use child labour or forced labour.

Sustainability Strategy

Although PECIC is not a subsidiary of Domtar Corporation ("Domtar"), it is affiliated under a broader group of affiliated companies. In this context, the Sustainability Strategy launched by Domtar in May 2025 provides a unifying approach for responsible business conduct across affiliates.

This Sustainability Strategy provides guidance for sustainability efforts through 2030 and is built on three pillars, each supported by a guiding principle as defined in [Domtar's Sustainability Policy](#):

- **Environmental Stewardship:** Steward the planet's resources responsibly by striving to reduce the environmental footprint of operations and by setting actionable objectives that positively impact nature and the environment.
- **Our People and Communities:** Contribute to the prosperity and quality of life in operating communities through trusted partnerships, thoughtful engagement, and support for the wellbeing and development of employees in a safe and inclusive workplace.
- **Responsible Business:** Uphold ethical and sustainable business practices and engage with customers, business partners, and stakeholders honestly and transparently.

Building on these pillars, the strategy has 12 objectives, each linked to performance indicators and one or more targets for 2026 and 2030. Under the Responsible Business pillar, one key objective is to safeguard the people in the company's value chain by ensuring respect for

human rights and labour standards, providing safe working conditions, and prohibiting all forms of abuse, including child and forced labour. This objective includes two targets:

- By 2026, develop a global human rights policy aligned with international standards, including the Universal Declaration of Human Rights.
- By 2030, conduct comprehensive human rights risk assessments across the value chain, ensuring alignment with the global human rights policy and implementing actionable measures to mitigate identified risks.

Forced labour and child labour risks

Paper Excellence's risk assessment and due diligence processes to address potential risks of child and forced labour within its supply chain did not identify any material concerns.

Remediation measures

No remediation measures were necessary in 2024 because the risk assessment and due diligence processes did not uncover any material risks of child or forced labour within Paper Excellence's supply chain.

Remediation of loss of income

The risk assessment and due diligence on the potential presence of child labour and forced labour within Paper Excellence's supply chain identified no material child labour or forced labour risks. Accordingly, no remediation actions were required to address income loss from such risks.

Training

In March 2024, Paper Excellence held a mandatory training session on modern slavery for its procurement leaders, in English and French. The training covered the global issue of modern slavery, highlighting the risks of forced labour and the warning signs to look for in the forest products sector. It also outlined the current reporting standards and laws, including Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act and similar laws in other jurisdictions.

Additionally, Paper Excellence provided ESG training to executives, directors and managers between November 2023 and February 2024. The training included an overview of sustainability best practices for risk management and governance as well as reporting on high-impact material issues, such as modern slavery and human rights.

Assessing effectiveness

Paper Excellence's risk assessment and due diligence processes give it confidence that the risk of child labour or forced labour within its supply chain is low. The company has a comprehensive compliance program and appropriate policies, which are audited on an annual basis, to prevent and to reduce such risks. It will continue to reassess the effectiveness of these measures, including use of the latest risk management tools enabling procurement professionals to screen suppliers.

From a business management perspective, Paper Excellence is confident that ongoing improvements to its procurement systems (practices, policies, contractual language, training and oversight) are making the systems more robust and better at identifying and mitigating potential illegal supplier practices.

Approval

This report was approved by Paper Excellence's management board at the time of its signature.

Attestation

In accordance with the requirements of the Act, in particular section 11 thereof, I attest that I have reviewed the information contained in the report for Paper Excellence. On the basis of my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Name: Awie Kardiman

Title: Executive Vice President of Finance & Chief Accounting Officer

Date: May 28, 2025

Signature: 

I have the authority to bind Paper Excellence Canada Investment Corporation (PECIC).